

# Exploring an Alternative to the Gas Tax

California's \$2-trillion economy – the eighth largest in the world – depends on an equally massive transportation system. Its highway lanes alone, if laid end-to-end, would wrap twice around the equator.

The system, of course, is more than lane miles. It includes roads, bridges, public transit vehicles and facilities, passenger and freight rail, airports, harbors, and international ports of entry. Our state and local transportation infrastructure faces great demands:

- 326 billion annual vehicle miles traveled
- 394,000 lane-miles to operate and maintain
- More than 26,000 bridges to operate and maintain
- 33 million registered vehicles
- 38 million people

## California Base Excise Tax 1994-2013



California thrives on its transportation infrastructure. There could be no economy without it. And yet, much of the upkeep it needs is postponed from year to year for lack of money.

## Transportation Funding Not Keeping Pace with Demand

The largest sources of funding for the transportation system are the fixed excise taxes paid on fuel consumption; federal funds also from fuel taxes; and weight fees on trucks. Collectively, these funds are primarily used for Caltrans' two major programs: the State Highway Operation and Protection Program (SHOPP) and the State Transportation Improvement Program (STIP). The SHOPP funds are used for state highway system rehabilitation and maintenance, while STIP funds are used for expansion and modernization. A portion of these funds support local road needs that benefit pedestrians, bicyclists and transit.

## Effect of Inflation

*This graphic shows the erosion of the buying power of the base excise tax, which is fixed at 18 cents and has not been raised since 1994. This is our primary source of revenue used to maintain and rehabilitate our roadways.*

This funding, however, has not kept pace with the demands placed on our transportation infrastructure. This underfunding has led to the decay of one of California's greatest assets: the entire roadway network. The problem is mainly due to four factors: aging infrastructure, inflationary pressure on revenue, increased construction costs and greater vehicle fuel efficiency.

## Where We Are Today

The current transportation tax structure has been in place since the early 20th century. This was a great proxy for roadway use for the last 80 years, but fuel efficiency and alternative fuels are increasing, and the existing tax structure is becoming functionally obsolete. This is an evolutionary change the transportation industry must address.

On September 29, 2014, Gov. Edmund G. Brown Jr. signed into law Senate Bill 1077 "Vehicles: Road Usage Charge Pilot Program." The bill requires California to study a road charge as an alternative to the current gasoline tax structure. By definition, a road charge is a policy whereby motorists pay for the use of the roadway network based on the distance they travel instead of the amount of fuel they consume.

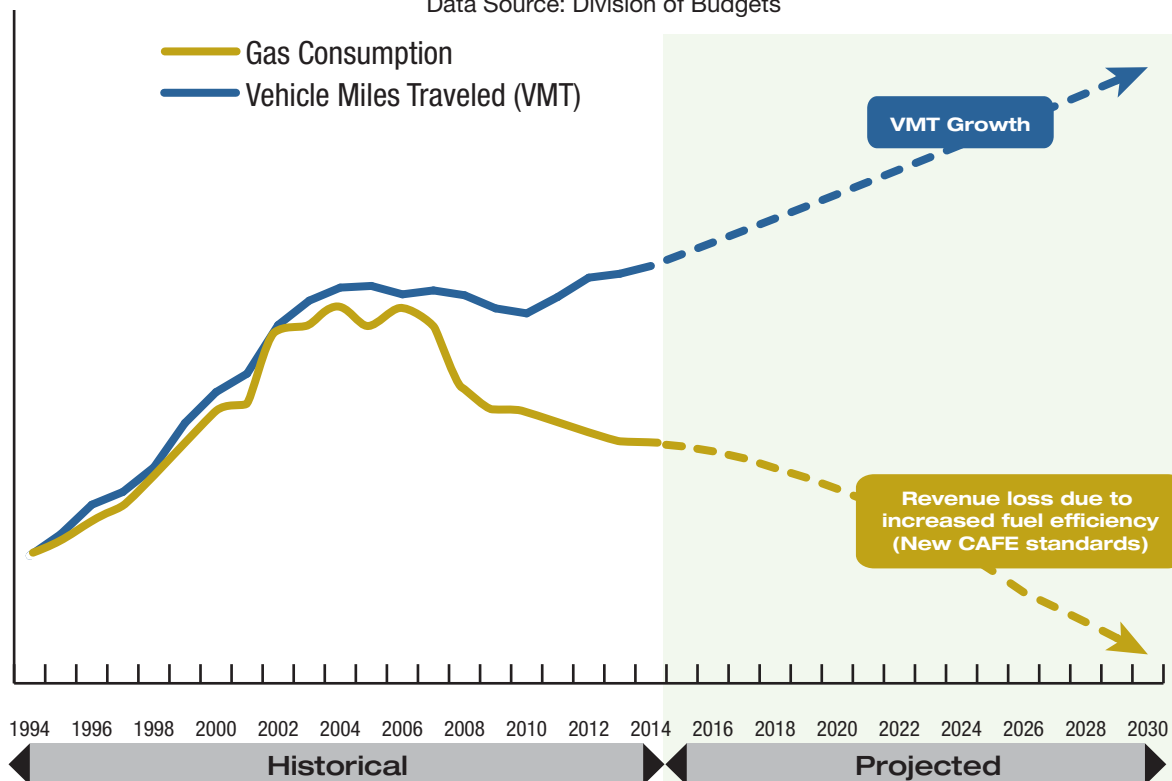
The legislation requires the creation of a 15-member road charge technical advisory committee. The committee's purpose is to guide the development and evaluation of the pilot program, study road charge alternatives to the gas tax, and gather input from a broad range of relevant stakeholders and the public. The first technical advisory committee meeting was held on January 23, 2015. The pilot program, which will identify and evaluate issues related to a road charge program in California, is required to begin by January 1, 2017. This does not mean California is changing its current transportation tax structure, but rather the state is researching the viability of a mileage-based system. During the pilot no money will be exchanged, and all participants will continue to pay gasoline-related taxes the way they do today, at the pump.

We expect critical questions to be answered through the pilot process, such as cost, privacy, jurisdictional issues, feasibility, complexity, acceptance, use of revenues, security and compliance, data collection technology, potential for additional driver services, and implementation issues. This information will be reported to the legislature, which will then determine whether a road charge is the right alternative to replace the gas tax.

Source: Division of Budgets

## REVENUE LOSS Due to Increased Fuel Efficiency

Data Source: Division of Budgets



CAFE standards- Corporate Average Fuel Economy